

Financial Policies And Tools

This section includes:

- ▶ *Ten Principles of Sound Financial Management*
(Page 294)
- ▶ *Financial Policies*
(Page 297)
- ▶ *Budget Guidelines*
(Page 298)
- ▶ *Ten Information Technology Strategic Directions*
(Page 302)
- ▶ *Financial Management Tools and Long Range Planning Documents*
(Page 304)

FY 2001 Adopted Budget Plan: Overview Volume

TEN PRINCIPLES OF SOUND FINANCIAL MANAGEMENT

This section identifies some of the major policies, financial management tools and long-range planning documents which serve as guidelines for decisions and contribute directly to the outstanding fiscal reputation of the County. Adherence to these policies historically has enabled the County to borrow funds at the lowest possible interest rates available in the municipal debt market.

The keystone to the County's ability to maintain its fiscal integrity is the continuing commitment of the County's Board of Supervisors. This commitment is evidenced by the County Board's adoption in 1975 of *Ten Principles of Sound Financial Management*, which remain the policy context in which financial decisions are considered and made. These principles relate primarily to the integration of capital planning, debt planning, cash management and productivity as a means of ensuring prudent and responsible allocation of the County's resources.

In addition to the *Ten Principles of Sound Financial Management*, this section includes an overview of the County's financial policies with a brief description of policies relating to reserves, internal financial controls, risk management, information technology and investments. Financial management tools and long range planning documents used by the County are also briefly described including a summary of historical debt ratios.

The following table summarizes the *Ten Principles of Sound Financial Management* and is followed by a more detailed description of each principle:

Ten Principles of Sound Financial Management

1. Synchronize the Planning System with the Capital Improvement Program (CIP), capital budget and operating budget. Review land use plans at least every five years.
2. Reflect fiscal restraint in the Annual Budget, maintaining a managed reserve of not less than 2.0 percent of Combined General Fund Disbursements
3. Reduce appropriations and/or increase revenues to avoid any forthcoming deficit.
4. Ensure that the County's Net Debt as a percent of Estimated Market Value does not exceed 3.0 percent, and that Debt Service as a percent of Combined General Fund Disbursements does not exceed 10.0 percent. Bond sales shall not exceed \$750 million over a five-year period.
5. Maintain a Cash Management System and continue to receive full support from all facets of County government, including the Fairfax County Public Schools.
6. Employ management by objectives (MBO) as an integral part of the budget process.
7. Continue to streamline operations and increase productivity and efficiency of County programs and staff.
8. Reduce duplicative functions within County government.
9. Keep "underlying" debt to an absolute minimum.
10. Continue to diversify the County's economic base.

FY 2001 Adopted Budget Plan: Overview Volume

Ten Principles of Sound Financial Management

1. The **planning system** in the County will continue as a dynamic process that is synchronized with the operating and capital budgets, and the capital improvement program. The County's land use plans shall not be allowed to become static. There will continue to be periodic reviews of the plans at least every five years. Small area plans shall not be modified in isolation from and in contradistinction to contiguous plans.
2. Annual budgets shall continue to show **fiscal restraint**. Further, it is imperative that a positive cash balance (surplus) be shown in the General Fund at the end of each fiscal year. If necessary, spending during the fiscal year will be reduced sufficiently to create such a cash surplus.
 - a. A managed reserve shall be maintained in the General Fund at a level sufficient to provide for temporary financing of unforeseen needs of an emergency nature, and to permit orderly adjustment to changes resulting from termination of revenue sources through actions of other governmental bodies. The reserve will be maintained at a level not less than 2.0 percent of total General Fund disbursements in any given year.
 - b. As part of the Board's policy on appropriation during quarterly budget reviews, nonrecurring revenues should be used for either capital expenditures or other nonrecurring expenditures. Quarterly review adjustments are not to exceed 2.0 percent of the General Fund disbursements. The intent is to apply this restriction on an annual basis.
3. If a **deficit** appears to be forthcoming, the Board will **reduce appropriations or increase revenues**.
4. The County's **debt ratios** shall be maintained at the following levels:
 - a. Net debt as a percentage of estimated market value, which is now at 1.51 percent¹; should always remain less than 3.0 percent.
 - b. The ratio of debt service expenditures as a percentage of General Fund disbursements which is now at 8.8 percent¹ should remain under the 10.0 percent ceiling. The County will continue to emphasize pay-as-you-go capital financing. Financing capital projects from current revenues is indicative of the County's intent to show purposeful restraint in incurring long-term debt. To this end, for planning purposes, the target on annual bond sales will be \$150 million, or \$750 million over a five-year period, with a technical limit of \$175 million in any given year. This planning limit shall exist even though the ratio of debt to taxable property value remains less than 3.0 percent and the ratio of debt service to General Fund disbursements remains less than 10.0 percent.
5. Fairfax County's **cash management system** is one of the best in the country and must continue to receive full support and cooperation from all County agencies, including the Public Schools. Such a system is an indication of the soundness and professionalism of the County's financial management.
6. The **budgetary process** will continue to be oriented toward management by objectives (MBO) and must continue deliberately toward full utilization of the system.
7. All efforts must be made to **improve the productivity** of the County's programs and its employees. The County's productivity analysis process is a dynamic part of the administration. Its presence, together with MBO, are indications of the strength of the County's commitment to continual improvement of its fiscal management.

¹ As of June 30, 1999.

FY 2001 Adopted Budget Plan: Overview Volume

8. A continuing effort to **reduce duplicative functions** within the County government and the autonomous and semi-autonomous agencies, particularly those that receive appropriations from the General Fund, must be made.
9. **Underlying debt** must not expand beyond that level already contemplated. The creation of additional sanitary districts for the purpose of incurring bonded indebtedness will be discouraged. Revenue bonds of agencies supported by the General Fund will be analyzed carefully for fiscal soundness. The issuance of County revenue bonds will be subject to the most careful review. These revenue bonds must be secured by extremely tight covenants to protect the name of the County in its other borrowings.
10. Fairfax County must continue to **diversify its economic base** by encouraging commercial and, in particular, industrial employment and associated revenues. Such expansion of business and industry must be in accord with the plans and ordinances of the County.

The *Ten Principles of Sound Financial Management* adopted by the Board of Supervisors on October 22, 1975, endorse a set of policies designed to maintain the County's "triple A" bond rating. The County has maintained its superior rating in large part due to its firm adherence to these policies. The principles stress the close relationship between the planning and budgetary processes, and provide guidance in the planning and financing of public expenditures. The County's exceptional "triple A" bond rating gives its bonds an unusually high level of marketability and results in the County being able to borrow for needed capital improvements at low interest rates, thus realizing significant savings now and in the future for the citizens of Fairfax County.

On October 28, 1985, the Board adopted a resolution to reaffirm the *Ten Principles of Sound Financial Management*. The most recent amendment to this policy, approved on August 1, 1988, revised the annual bond sales target from \$80 million to \$150 million per year, or \$750 million over a five-year period.

Through careful fiscal planning and sound financial management, Fairfax County has achieved a "triple A" bond rating from Moody's Investors Service, Standard and Poor's Corporation and Fitch Investors Services. The County has held a Aaa rating from Moody's since 1975, and a AAA rating from Standard and Poor's since 1978, and a AAA rating from Fitch Investors Services since 1997. Fairfax County is one of 16 counties in the country with triple A ratings from all three rating agencies.

Only a handful of jurisdictions, including Fairfax County, have received a "triple A" bond rating from Moody's Investors Service, Inc., Standard and Poor's Corporation and Fitch Investors Services:

- only 16 of the nation's 3,107 counties
- only 9 of the nation's 50 states
- only 8 of the nation's 22,529 cities

FY 2001 Adopted Budget Plan: Overview Volume

FINANCIAL POLICIES

The following is a brief description of the primary financial policies that are used to manage the County's resources and contribute to its outstanding fiscal condition. The County's financial policies address actions in the following areas, which are explained in greater detail below:

- ▶ Budget Guidelines
- ▶ Managed Reserve
- ▶ Revenue Stabilization Fund
- ▶ Quarterly Reviews/Carryover
- ▶ Cash Management/Investments
- ▶ Debt Management/Capital Improvement Planning
- ▶ Use of Current Revenues
- ▶ Risk Management
- ▶ Information Technology
- ▶ Pension Plans
- ▶ Grants
- ▶ Close Management Initiatives (CMI) Program
- ▶ Contributory Policies

FY 2001 Adopted Budget Plan: Overview Volume

BUDGET GUIDELINES

On April 17, 2000, the Board of Supervisors reaffirmed and approved Budget Guidelines for Fiscal Year 2002.

These guidelines are considered an important tool in the budget development process and are to be considered during future budget deliberations.

1. The Board directs the County Executive to develop a budget for Fiscal Year 2002 that limits increases in expenditures to projected increases in revenue.
2. The increases in the County's Transfer to the Fairfax County Public Schools be established at the rate of increase in revenue. In addition, the School Board is requested to forward to the County a transfer request that does not exceed the budget guidelines. Requests that exceed the guidelines should be presented in an unfunded package.
3. The available balances materializing at the Carryover and Third Quarter Reviews which are not required to support County expenditures of a critical nature or to address the Board's policy on the Revenue Stabilization fund, be utilized as follows:
 - Of the remaining balance, one-half will be allocated to the Schools to support non-recurring requirements.
 - The County will review paydown construction requirements or other one-time items for allocation of the balance of these funds.
4. In order to eliminate structural imbalances between County resources and requirements, resources should be allocated with consideration for the continued availability of these funds:
 - Non-recurring funds will be directed toward non-recurring uses.
 - Only recurring resources may be targeted toward recurring expenses.
5. The County's policy concerning the utilization of recurring and non-recurring funds should be followed by the School Board. The School Board should not use non-recurring balances that may materialize during quarterly reviews on recurring expenditures in the annual budget.
6. The County Executive and the School Superintendent should continue to explore County/School consolidation efforts to ensure economies of scale, improved service and potential cost savings.
7. The Board of Supervisors, the County Executive, the School Board and the School Superintendent shall meet in the fall to discuss multi-year budgets and review the direction in which budgets are going as well as the use of non-recurring money for recurring needs of the Schools.

Managed Reserve

It is the express policy of the Board of Supervisors to maintain a managed reserve in the General Fund at a level sufficient for temporary financing of unforeseen emergency needs and to permit orderly adjustment to changes resulting from termination of revenue sources through actions of other governmental bodies. The reserve will be maintained at a level not less than 2.0 percent of total General Fund disbursements in any given year. This reserve has been maintained since FY 1983.

FY 2001 Adopted Budget Plan: Overview Volume

Revenue Stabilization Fund

On September 13, 1999 the Board of Supervisors established a Revenue Stabilization Fund to provide a mechanism for maintaining a balanced budget without resorting to tax increases and expenditure reductions that aggravate the stresses imposed by the cyclical nature of the economy. The Revenue Stabilization Fund has a target balance of 3.0 percent of General Fund disbursements. The Fund is separate and distinct from the County's 2.0 percent Managed Reserve, however, the aggregate balance of both reserves shall not exceed 5.0 percent of General Fund disbursements. It is anticipated that the target balance of 3.0 percent of General Fund disbursements will be accomplished by transferring funds from the General Fund over a multi-year period. The Board of Supervisors determined that a minimum of 40 percent of non-recurring balances identified at quarterly reviews would be transferred to the Revenue Stabilization Fund. Additionally, the Fund will retain the interest earnings on this balance, and the retention of interest will continue until the Reserve is fully funded.

The Revenue Stabilization Fund will not be used as a method of addressing the demand for new or expanded services; it is solely to be used as a financial tool in the event of an economic downturn. Therefore, three specific criteria that must be met in order to make a withdrawal from the Fund include: projected revenues must reflect a decrease greater than 1.5 percent from the current year estimate; withdrawals must not exceed one-half of the fund balance in any fiscal year; and withdrawals must be used in combination with spending cuts or other measures.

Third Quarter/Carryover Reviews

In mid-March, the Department of Management and Budget conducts the Third Quarter Review on the current year Revised Budget Plan which includes a line item analysis of expenditure requirements. All Operating Agencies and Capital Construction Funds are reviewed during the third quarter and adjustments are made to the budget as approved by the Board of Supervisors. Section 15.1162.1 of the *Code of Virginia* requires that a public hearing be held prior to Board action when the potential increases in the appropriation are greater than \$500,000, or 1.0 percent of revenues. Based on the *Ten Principles of Sound Financial Management*, Third Quarter Review adjustments are not to exceed 2.0 percent of the General Fund disbursements. In addition, the Board's adopted budget guidelines indicate that any balances identified throughout the fiscal year which are not required to support expenditures of a legal or emergency nature, must be held in reserve.

Carryover represents the analysis of balances remaining from the prior year and provision for the appropriation of funds to cover the prior year's legal obligations (encumbered items) in the new fiscal year without loss of continuity in processing payments. Carryover extends the previous year funding for the purchase of specific items previously approved in the budget process, but for which procurement could not be obtained for various reasons. Funding for those items carried over can be expended without a second full-scale justification and approval procedure. All Operating Agencies and Capital Construction Funds are reviewed during the Carryover Review and adjustments are made to the budget as approved by the Board of Supervisors. Again, the *Code of Virginia* requires that a public hearing be held prior to Board action when the potential increases in the appropriation are greater than \$500,000, or 1.0 percent of revenues.

Cash Management/Investments

Maintaining the safety of the principal of the County's public investment is the highest priority in the County's cash management policy. The secondary and tertiary priorities are the maintenance of liquidity of the investment and optimization of the rate of return within the parameters of the *Code of Virginia*, respectively. Funds held for future capital projects shall also be invested in accordance with these objectives, and in such a manner so as to ensure compliance with U.S. Treasury arbitrage regulations. An interagency Investment Committee has developed policies and procedures to serve as a guide in the cash management process.

FY 2001 Adopted Budget Plan: Overview Volume

The County maintains cash and temporary investments in several different pools. All investments purchased by the County for the pooled cash and general obligation bond funds are held in an account in the County's name by a third-party custodian. Additionally, the County manages the Resource Recovery bond portfolio, the Fairfax County Economic Development Authority Parking Revenue Bonds (the Vienna and Huntington Metrorail Projects), Sewer Revenue Bonds, Housing Bonds, and the Equipment Acquisitions Fund.

As the General Fund is responsible for the health, safety, welfare and borrowing ability of the County, it is essential that this fund be supplied with a sufficient amount of revenues. Therefore, except where prohibited by statutory or contractual constraints, the General Fund will be the primary recipient of all interest earned on the County's pooled cash. In addition, all interest earnings will be subject to an administrative charge, which will be credited to the General Fund.

Debt Management/Capital Improvement Planning

The Virginia Constitution requires that long-term debt pledged by the full faith and credit of the County can only be approved by voter referendum. There is no statutory limit on the amount of debt the voters can approve. It is the County's own policy to manage debt within the guidelines identified in the *Ten Principles of Sound Financial Management*. Specifically, debt service expenditures as a percentage of General Fund disbursements should remain under 10.0 percent and the percentage of debt to estimated market value of assessed property should remain under 3.0 percent. The County continues to maintain these debt ratios, as illustrated below:

Net Debt as a Percentage of Market Value of Taxable Property

<u>Fiscal Year Ending</u>	<u>Net Bonded Indebtedness</u>	<u>Estimated Market Value</u>	<u>Percentage</u>
1997	1,219,735,725	80,853,900,000	1.51%
1998	1,258,171,800	83,471,400,000	1.51%
1999	1,314,377,875	87,086,700,000	1.51%
2000 (est.)	1,383,900,575	92,647,700,000	1.49%
2001 (est.) ¹	1,478,606,650	100,122,500,000	1.48%

¹ For projection purposes, a sale of \$206.94 million has been included for 2001.

Debt Service Requirements as a Percentage of Combined General Fund Disbursements

<u>Fiscal Year Ending</u>	<u>Debt Service Requirements¹</u>	<u>General Fund Disbursements</u>	<u>Percentage</u>
1997	152,813,435	1,682,606,121	9.1%
1998	163,501,001	1,756,990,140	9.3%
1999	163,541,092	1,849,587,184	8.8%
2000 (est.)	177,073,688	2,023,598,020	8.8%
2001 (est.)	186,668,468	2,149,826,592	8.7%

¹ Does not include debt service for EDA lease revenue bonds, Small District debt, or fiscal agent fees.

The *Ten Principles of Sound Financial Management* also establish as a financial guideline a self-imposed limit on the level of the average annual bond sale. Thus, actual bond issues are carefully sized with a realistic assessment of the need for funds, while remaining within the limits established by the Board of Supervisors. In addition, the actual bond sales are timed for the most opportune entry into the financial markets.

FY 2001 Adopted Budget Plan: Overview Volume

In addition, per capita debt is also an important measure used in analyses of municipal credit. Fairfax County has historically had moderate to low per capita debt and per capita debt as a percentage of per capita income due to its steady population growth, and growth in the assessed valuation of property and personal income of residents, combined with a record of rapid repayment of capital debt. Per capita debt as a percentage of per capita income as of June 30, 1999 was 3.16 percent and has remained less than 4.0 percent since 1981.

The policy guidelines enumerated in the *Ten Principles of Sound Financial Management* also express the intent of the Board of Supervisors to encourage greater industrial development in the County and to minimize the issuance of underlying indebtedness by towns and districts located within the County.

It is County policy to balance the need for public facilities, as expressed by the Countywide land use plan, with the fiscal capacity of the County to provide for those needs. The five-year Capital Improvement Program (CIP), submitted annually to the Board of Supervisors, is the vehicle through which the stated need for public facilities is analyzed against the County's ability to pay and stay within its self-imposed debt guidelines as articulated in the *Ten Principles of Sound Financial Management*. The CIP is supported largely through long-term borrowing that is budgeted annually in debt service or from General Fund revenues on a pay-as-you-go basis.

Use of Current Revenues

Although a number of options are available for financing the proposed capital improvement program, including bond proceeds and grants, it is the policy of the County to balance the use of the funding sources against the ability to utilize current revenue or pay-as-you-go financing. While major capital facility projects are funded through the sale of general obligation bonds, the Board of Supervisors, through its *Ten Principles of Sound Financial Management*, is continuing to emphasize the importance of maintaining a balance between pay-as-you-go financing and bond financing for capital projects. Financing capital projects from current revenues indicates the County's intent to show purposeful restraint in incurring long-term debt. No explicit level or percentage has been adopted for capital projects from current revenues as a portion of either overall capital costs or of the total operating budget. The decision for using current revenues to fund a capital project is based on the merits of the particular project in relation to an agreed upon set of criteria. It is the Board of Supervisor's policy that nonrecurring revenues should not be used for recurring expenditures.

Risk Management

Continuing growth in County assets and operations perpetuates the potential for catastrophic losses resulting from inherent risks that remain unidentified and unabated. In recognition of this, the County has adopted a policy of professional and prudent management of risk exposures.

To limit the County's risk exposures, a Risk Management Steering Committee was established in 1986 to develop appropriate policies and procedures. The County Risk Manager is responsible for managing a Countywide program. The program objectives are as follows:

- ▶ To protect and preserve the County's assets and work force against losses that could deplete County resources or impair the County's ability to provide services to its citizens.
- ▶ To institute all practical measures to eliminate or control injury to persons, loss to property or other loss-producing conditions.
- ▶ To achieve such objectives in the most effective and economical manner.

While the County's preference is to fully self-insure, various types of insurance such as workers' compensation, automobile, and general liability insurance remain viable alternatives when they are available at an affordable price.

FY 2001 Adopted Budget Plan: Overview Volume

Information Technology

The following ten strategic directions are fundamental principles upon which Fairfax County will base its Information Technology (IT) decisions in the upcoming years. They are intended to serve as guidelines to assist County managers apply information technology to achieve business goals.

TEN INFORMATION TECHNOLOGY STRATEGIC DIRECTIONS

1. Provide citizens, the business community, and County workers with timely, convenient access to appropriate information and services through the use of technology.
2. Business needs drive information technology solutions. Strategic partnerships will be established between the customer and County so that the benefits of IT are leveraged to maximize the productivity of County employees and improve customer service.
3. Evaluate business processes for redesign opportunities before automating them. Use new technologies to make new business methods a reality. Exploit functional commonality across organizational boundaries.
4. Manage Information Technology as an investment.

Annually allocate funds sufficient to cover depreciation to replace systems and equipment before life cycles end. Address project and infrastructure requirements through a multiyear planning and funding strategy.

Limit resources dedicated to "legacy systems" (hardware and software approaching the end of its useful life) to absolutely essential or mandated changes. Designate systems as "legacy" and schedule their replacement. This approach will help focus investments toward the future rather than the present or past.

Invest in education and training to ensure the technical staffs in central IT and user agencies understand and can apply current and future technologies.
5. Implement contemporary, but proven, technologies. Stay abreast of emerging trends through an ongoing program of technology evaluation. New technologies will often be introduced through pilot projects where both the automation and its business benefits and costs can be evaluated prior to any full-scale adoption.
6. Hardware and software will adhere to open (vender-independent) standards and minimize proprietary solutions. This approach will promote flexibility, interoperability, cost effectiveness, and mitigate the risk of dependence on individual vendors.
7. Manage the enterprise network as a fundamental building block of the County's IT architecture. The network will connect modern workstations and servers; will provide both internal and external connectivity; will be flexible, expandable, and maintainable; and be fully integrated using open standards and capable of providing for the free movement of data, graphics, image, video, and voice.
8. Approach IT undertakings as a partnership between central management and agencies enabling centralized and distributed implementation. Combine the responsibility and knowledge of central management, agency staff, as well as outside contract support within a consistent framework of County IT standards. Establish strategic cooperative arrangements with public and private enterprises to extend limited resources.
9. Emphasize the purchase and integration of top quality, off-the-shelf software (with minimal customization) to speed the delivery of new business applications. This will require redesigning some existing work processes to be compatible with off-the-shelf software packages. Utilize modern, efficient methods and laborsaving tools in a cooperative application development environment. A repository for common information objects (e.g., databases, files, records, methods, application inventories) will be created, shared, and re-used.
10. Capture data once in order to avoid cost, duplication of effort, and potential for error and share the data whenever possible. Establish and use common data and common databases to the fullest extent. A data administration function will be responsible for establishing and enforcing data policy, data sharing and access, data standardization, data quality, identification and consistent use of key corporate identifiers.

FY 2001 Adopted Budget Plan: Overview Volume

Pension Plans

The County funds the retirement costs for four separate retirement systems including: Educational Employees Supplemental Retirement System, Police Officers Retirement System, Supplemental Retirement System and Uniformed Retirement System. These retirement systems are administered by the County and are made available to Fairfax County employees in order to provide financial security when they reach an older age or cannot work due to disability. In addition, professional employees of the Fairfax County School Board participate in a plan sponsored and administered by the Virginia Retirement System. The Board of Supervisors reviews each of the four County plans annually and takes action to fund the County's obligation based on actuarial valuations that are usually performed annually. Benefits are defined in each System according to the requirements of an ordinance of the Fairfax County Code. Each retirement system is governed by a Board of Trustees whose function is the general administration and operation of the system. Each Board has full power to invest and reinvest the accumulated monies created by the systems in accordance with the laws of the Commonwealth as they apply to fiduciaries investing such funds. Investment managers are hired by each Board and operate under the direction of the Boards' investment objectives and guidelines. Each Board meets once a month to review the financial management of the funds and to rule on retirement applications.

Grants

County policy requires that all applications and acceptance of grant funds must be approved by the Board of Supervisors. Each grant application is reviewed for the appropriateness and desirability of the program or service. Upon completion of the grant, programs are reviewed on a case-by-case basis to determine whether the program should be continued utilizing County funds. The County has no obligation to continue either grant-funded positions or grant-funded programs, if continued grant funding is not available.

Close Management Initiatives (CMI) Program

The Close Management Initiatives (CMI) program, which was approved by the Board of Supervisors on June 28, 1993 and began in FY 1994, challenges agency directors and staff to identify means to streamline operations without reductions in service levels. Agencies and selected Other Funds are provided with target savings amounts to reach during the fiscal year. If an agency reaches the targeted savings amount, 60 percent of the identified savings is returned to the General Fund or falls to fund balance in Other Funds. The remaining 40 percent is retained by the agency for use at the director's discretion.

Contributory Policies

To improve the general health and welfare of the community, it is the policy of the Board of Supervisors to make General Fund appropriations of specified amounts to various nonsectarian, nonprofit, or quasi government entities. Because public funds are being appropriated, funds provided to designated contributory agencies are currently made available contingent upon submission and review of quarterly financial reports. This oversight activity includes program reporting requirements that require designated contributories to describe accurately, in a manner prescribed by the County Executive, the level and quality of services provided to County residents.

FY 2001 Adopted Budget Plan: Overview Volume

FINANCIAL MANAGEMENT TOOLS AND LONG RANGE PLANNING DOCUMENTS

This section is intended to provide a brief description of some of the financial management tools and long range planning documents used by the County. These tools and planning documents include:

- | | |
|----------------------|-------------------------------|
| ▶ Budget | ▶ Fiscal Impact Review |
| ▶ Revenue Forecast | ▶ Management Initiatives |
| ▶ Financial Forecast | ▶ Capital Improvement Program |

Budget

The primary financial management tool used by the County is the annual budget process. This involves a comprehensive examination of all expenditure and revenue programs of the County, complete with public hearings and approval by the Board of Supervisors. For a more complete description of the annual budget process, see the separate section earlier in this volume entitled "Budget Process."

Revenue Forecast

Revenue estimates are monitored on a monthly basis to identify any potential trends that would significantly impact the revenue sources. A Revenue Task Force meets regularly to review current construction trends, the number of authorized building permits, housing sales, mortgage rates, and other economic data which impact Real Estate Tax revenue collections. In addition, the Revenue Task Force uses statistical models to estimate such revenue categories as the Personal Property Tax; Local Sales Tax; Business, Professional, and Occupational License Tax; Consumer Utility Tax; Automobile License Tax; and Cigarette Tax.

Financial Forecast

A forecast of Combined General Fund receipts and disbursements is developed as part of each year's budget process and is updated periodically. Individual and aggregate revenue categories, as well as expenditures, are projected by revenue and/or expenditure type. Historical growth rates, inflation assumptions, and County expenditure priorities are all used in developing the forecast. This tool is used as a planning document for developing the budget guidelines and for evaluating the future impact of current year decisions.

Fiscal Impact Review

It is County policy that all items having potential fiscal impact be presented to the Board of Supervisors for the Board's review. Effective management dictates that the Board and County citizens be presented with the direct and indirect costs of all items as part of the decision making process. In addition to its preliminary review of items presented to the Board of Supervisors, County staff also reviews State and Federal legislative items, which might result in a fiscal, or policy impact on the County.

FY 2001 Adopted Budget Plan: Overview Volume

Management Initiatives

The County has undertaken several management initiatives in its ongoing mission to make its government more productive, streamlined and efficient.

Information Technology Initiatives

The County is committed to providing the necessary investment in information technology, realizing the critical role it plays in improving business processes and customer service. Fund 104, Information Technology Fund was established in FY 1995 to provide adequate technological infrastructure and redesign business processes to achieve large-scale improvements in service quality. Consequently, the County is consolidating its investments in enhancing its infrastructure to accommodate growth well into the 21st century. Based on priorities established by the Information Technology Steering Committee, FY 2001 funding has been included to address: mandated requirements, completion of prior investments/projects, enhancements to improve access to government services, projects with Countywide application, new projects, and infrastructure needs. Management continues to explore and monitor all areas of County government as potential candidates for further information technology enhancements and/or modifications.

Performance Measurements

Beginning in FY 1998, management initiated a Performance Measurement system to ensure greater accountability to the citizens of Fairfax County. This system supports the regular collection of specific information regarding the results of service in Fairfax County. The County's performance measurement methodology links agency and cost center goals (broad) to quantified objectives (specific) of what will be accomplished during the fiscal year. The system places strong emphasis on quantified objectives linked to a complete "Family of Measures" including, output, efficiency, service quality and outcome measures. The outcome measure is particularly important as it reflects the benefits County services have on customers, both internal and external (citizens). The Performance Measurement initiative is an iterative process which will continue to be reviewed to ensure the most efficient way to report performance to the public.

Performance Management/Pay for Performance

Beginning in FY 2001, a new performance management system will be implemented. This system is based on an on-going dialogue between employees and supervisors regarding performance and expectations. In addition, the system will focus on employee evaluations, develop specific requirements for the employee's position and link pay increases directly with performance. All employees will be eligible for variable pay increases of 0, 3, 5 or 7 percent, depending on their annual performance rating. In addition, high performing employees at the top of their pay range will be eligible for either a 3 or 5 percent annual lump sum bonus.

Capital Improvement Program (CIP)

In connection with a comprehensive land use plan, the Board of Supervisors annually reviews a five-year Capital Improvement Program (CIP). The CIP includes five years of project planning and forecasts project requirements for an additional three-year period. The CIP is designed to balance the need for public facilities as expressed by the Countywide land use plan with the fiscal capability of the County to meet those needs. The CIP serves as a general planning guide for the construction of general purpose, school and public utility facilities in the County. The CIP process provides a framework for careful development of reliable capital expenditure and revenue estimates and the timely scheduling of bond referenda.

The CIP is an integral element of the County's budgeting process. The first year of the advertised five-year CIP is the foundation for the Capital Budget. Action by the Board of Supervisors to adopt the Capital Budget alters the first year of the CIP, as well. The remaining four years in the CIP serve as a general planning guide on the impact of undertaking the construction program. Future planning requirements three years beyond the CIP period are also included. The CIP is supported largely through long-term borrowing which is budgeted annually in debt service or from General Fund revenues on a pay-as-you-go basis.